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SUBJECT: EMERGENCY SITUATIONS MINISTER HEYDAROV'S RISING
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Classified By: CHARGE D'AFFAIRES DONALD LU PER REASONS 1.4 (B,D).

¶1. (C) SUMMARY. Through his Ministry of Emergency Situations (MES), Minister Kamalladdin Heydarov over the past year has increased his already significant economic and political clout. Through its civil defense forces, paramilitary troops, zoning, construction and licensing authority, and new forays into business licensing, the MES is emerging as one of the most powerful government ministries. Heydarov's personal business empire, led by ATA Holdings, continues to benefit from his standing within the government and his construction company, Akkord, is active in government contract building projects. Moreover, Heydarov has used his influence at Customs to corner the local market of pomegranate distribution. In spite of his growing power and personal wealth - and accompanying growing speculation about his political ambitions, we think it unlikely that Heydarov seeks to challenge President Aliyev's political pre-eminence, but Heydarov could be positioning himself to run for President in ¶2013. END SUMMARY.

MINISTER HEYDAROV SOLIDIFIES POWER

¶2. (C) With more than one year under his belt as Minister of Emergency Situations, Kamalladdin Heydarov continues to solidify and strengthen his position of power and influence in both the economic and political spheres. The Ministry of Emergency Situations (MES) has grown to become one of the most powerful ministries operating in Azerbaijan, taking control over construction and zoning issues, and enforcing regulations that many businessmen complain hinder private sector development. In conversations with local businessmen, only one name -- Kamalladdin -- is regularly whispered as the most powerful man in Azerbaijan.

¶3. (C) Heydarov's public ascent comes after nearly ten years working behind the scenes. As Chairman of the State Customs Committee from 1995 to 2006, Heydarov shaped the Customs into one of the most influential and corrupt government institutions. Former President Heydar Aliyev reportedly appointed Heydarov as Customs chief to facilitate lucrative oil exports from Azerbaijan. Heydarov expanded Customs' income by systematizing bribery within the organization, in effect creating an extensive pyramid scheme. In addition to outright bribery, and despite Heydarov's public protestations to the contrary, Customs nurtured multiple import monopolies, such as bananas, for well-connected individuals. It also continues to promote creative invoicing schemes that further enrich Customs and its coffers. It is widely believed that

Heydarov continues to exert influence in - and recoup financed gain from - the Customs Committee as its current chairman, Aydin Aliyev, is Heydarov's protege and former deputy.

NEW MES - MUCH STILL UNKNOWN

¶4. (C) In February 2006, President Ilham Aliyev promoted Heydarov to Minister of the newly created Ministry of Emergency Situations (REFTEL A). At the time, most political and economic observers would not have guessed that Heydarov would ever leave his "revenue generating" position at Customs. For much of 2005, Heydarov reportedly had not been running day-to-day Customs' operations, leaving many of those responsibilities to his deputy and current Customs Chairman Aydin Aliyev, and leading many observers to speculate that Heydarov was politically on his way out. The new appointment, however, is turning out to be a lucrative promotion of huge proportions for Heydarov.

¶5. (C) In addition to the broad responsibilities outlined by the decree establishing the MES (REFTEL B), the new decree gave Heydarov control over a new militarized special guard service in order to protect "strategic national security locations," possibly including the country's pipelines. The total number of armed guards under the authority of MES, however, is not known and in the short-term, MES may draw upon existing government and military forces to staff the new guard service. In addition, in a subsequent 2006 decree, President Aliyev transferred to the MES the responsibilities of the former State Agency for City Planning and Architecture and established a new State Committee for Urban Construction and Architecture. Under this new regime, Heydarov now has

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broad control over zoning and construction -- vitally important and lucrative areas in Baku's booming real estate market. MES's operating budget is not publicly known, but Heydarov has been purchasing large equipment, including fire equipment and Mercedes sedans for high-level MES officials, to build up his ministry.

MES AND REAL ESTATE

¶6. (C) MES - and Heydarov's - influence has been most heavily felt in the real estate market. While there is a legitimate need to exercise better control and oversight over Baku's building boom (REFTEL E), Baku is rife with rumors that Heydarov is using his authority to promote his own financial interests. MES has actively led many investigations of local construction sites, closing some down for months for suspect reasons. In the first six months of 2007, MES reportedly found more than 200 buildings in violation of local building and or safety codes and ordered all activities to stop. In late 2006, the MES shut down the construction of a new large office building for several months on the grounds of building code and safety violations costing millions of dollars (REFTEL F). The building's developer later said that representatives reportedly speaking on behalf of senior GOAJ officials, including Heydarov, demanded a controlling stake of more than 50 percent ownership in the new building. There were also reports that cousins of First Lady Mehriban Aliyeva, from the increasingly powerful Pashayev clan, may have also been involved with Heydarov in the efforts to extort part ownership in the new building complex. The developer eventually transferred some ownership to a company in the Dominican Republic and MES lifted its moratorium on construction.

¶7. (C) In a surprise twist, MES officials used their zoning and construction authority for apparently political purposes closing the offices of Realny Azerbaijan and Gundelik Azerbaijan newspapers, citing structural deficiencies (REFTEL D). Both newspapers had reportedly printed articles critical

of the government or government policies. Editor-in-chief Eynulla Fatullayev is currently in jail for criminal libel charges and also faces terrorism charges (septel). (COMMENT: Oddly Fatullayev and his two newspapers were widely viewed as tools of Heydarov and Minister of National Security Eldar Mahmudov, as Fatullayev regularly published articles critical of Minister of Internal Affairs Usubov, a Heydarov rival. We assume that Fatullayev is now in trouble because he crossed his backers. END COMMENT)

¶8. (C) In addition, MES has implemented "safety" regulations that have affected many private sector businesses. In one instance, MES officials attempted to force Baku Steel and other manufacturing companies to purchase "MES-approved" fire extinguishers at highly inflated prices. According to the businessmen, the MES fire extinguishers were of low quality and would also need to be replaced every six months. Most business officials with whom we spoke believed that the Heydarov had a personal financial stake in the "MES-approved" fire extinguishers.

¶9. (C) The role of MES in the general economy continues to expand and touch more private sector operations. The government is contemplating consolidating all business licensing authority in the Ministry of Emergency Situations (REFTEL C) as part of the GOAJ's efforts to improve its World Bank "Doing Business" ranking. In addition, the GOAJ is looking to streamline its business entry procedures into a new "one-stop shop," to be possibly administered by the Ministry of Taxation, a ministry led by Heydarov's right-hand man and former Customs deputy, Fazil Mammadov. A move to consolidate business entry and licensing procedures in MES and Taxation ministries would increase their already considerable influence.

PERSONAL BUSINESSES

¶10. (C) Heydarov's personal business interests are as extensive as his official ministry responsibilities. He controls the aggressive and omnipresent ATA Holding conglomerate, which comprises firms in banking, leasing, insurance and financial services, construction, and industry. He also controls the Caspian Fish Company, a virtual monopoly supplier of caviar to export markets. Through his contacts at the Customs Committee, Heydarov has extensive interests in alcohol production and imports, as well as tobacco production and import through his connection to

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European Tobacco Baku. Heydarov also has interests in Gilan Holding (tourism, trade, construction) and Akkord Holdings (construction) with Prosecutor General Zakir Qaralov. In 2006, Heydarov reportedly cornered the pomegranate market, squeezing out many small distributors. Heydarov used the Customs Committee to ensure that no other pomegranate distributor could export without paying exorbitant fees.

¶11. (C) Politically, Heydarov wields influence far beyond his current position as minister. Although he does not appear to be part of the President's circle of close friends, he is assumed to be part of the President's close associates. Heydarov's close business partners are also key government ministers, including Minister of Taxes Fazil Mammadov (appointed in 2000 and a former deputy at the Customs Committee) and current Chairman of the State Customs Committee Aydin Aliyev. The Chairman of the State Social Protection Fund Salim Muslimov is also reportedly closely affiliated with Heydarov. Heydarov also reportedly maintains a network of governors (executive committees) in the northern regions of Azerbaijan, and his father is a member of parliament. Heydarov's influence - and real estate holdings - are rumored to be especially great in Gabala, where the local governor reportedly is the brother of Heydarov's wife.

¶12. (C) All above is apart from all his private companies

that are, according to popular public opinion, reportedly involved in laundering state money channeled through the main MES operational expenses, which is State Fire Service, Civil Defense Forces, Special Armed Security Service, State Small vessel Inspection Service, State Procurement Stock, State Construction Security Service, State Mining Security Agency, as well as issuing project and engineering licenses.

INTERNATIONAL TOUR

¶13. (C) Either on his own or accompanying President Aliyev, Heydarov has been traveling extensively domestically and internationally. Since his appointment, Heydarov has been to a multitude of countries, including France, South Korea, Israel, and Bulgaria. In Azerbaijan, he regularly meets with visiting international leaders and dignitaries. Within Azerbaijan's borders, Heydarov is first on the scene of any natural disasters, real or exaggerated. His ministry's monthly color magazine, "Safe Life," carefully documents Minister Heydarov's every meeting or visit.

¶14. (C) MES and its real or perceived power can be seen everywhere in Baku. The number of vehicles with the official white letters "FHN" (the MES acronym in Azerbaijani) has multiplied in the last six months. Some drivers, MES employees or not, have begun to put hard hats with the FHN letters situated prominently in their back windows in order to ward off any unwanted law enforcement attention.

HEYDAROV'S POLITICAL FUTURE

¶15. (C) Speculation about Heydarov's political ambitions has grown along with this new power and public position as Minister of Emergency Situations, and many observers believe he may be quietly positioning himself to take on still more power. Heydarov's name has been circulated recently as a likely successor to Prime Minister Artur Rasizade (chronically, reportedly on his way out of office); many observers also believe that Heydarov may be jockeying to become president. While Heydarov may be positioning himself for a run for the presidency in 2013 (a move that could put him in direct competition with First Lady Mehriban Aliyeva, also rumored to be a likely presidential candidate in 2013), we believe it is highly unlikely that Heydarov would do anything that could be perceived as a direct challenge to the First Family.

¶16. (C) As a former protege of Heydar Aliyev, Heydarov owes much of his position and authority to the First Family, and his continued financial viability depends on their continued good graces. As President Aliyev demonstrated in the October 2005 arrest of then-Ministers Farhad Aliyev and Ali Insanov, he is quick to punish those who are perceived as a threat to his own power and position. It is extremely unlikely that any sitting ministers would dare to take action that could be perceived as similar to those taken by Aliyev and Insanov. Because Heydarov's new Ministry contains armed troops, some observers speculate that he could in fact marshall the resources necessary to take on Aliyev and the First Family in an open power struggle. Given the relatively small number of

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Heydarov's troops compared to the Azerbaijani military and Ministry of Internal Affairs, we do not find this argument credible. Some evidence, in fact, suggests that the First Family's fortunes may be directly tied to cooperation with Heydarov. It would seem that his promotion to his new, more powerful position may be a reflection of that relationship. In any case, given the complex, intertwined and, in many ways, co-dependent nature of the business relationships among Azerbaijan's ruling elite, we find it difficult to believe that Heydarov - the consummate insider - would risk his personal fortune by rocking the political boat.

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